Comptroller's Directive No. 2-05
Attachment 4
Leave Liability Statement – CIPPS Users

Purpose	This attachment is used to accumulate leave liability information for recording compensated absence liabilities in accordance with GAAP. This attachment is similar to prior year's Attachment 4.
Applicable agencies	All agencies and funds that use CIPPS leave for **ALL** employees but are **not** included on a financial statement template with compensated absence liabilities must complete this attachment. **Note:** The Payroll Service Bureau will complete this attachment for all agencies using the Bureau's services and will forward the attachment to the agency for review and approval.
Due date	**August 4, 2005**
Submission requirements	Contact DOA if the agency has any problems with the spreadsheets. **After downloading the files, rename the spreadsheet file using the agency number followed by Att4.** For example, agency 151 should rename its Attachment 4.xls file as 151Att4.xls. **Submit the excel spreadsheet electronically to finrept@doa.virginia.gov.** **Copy APA via E-mail to APAFinRept@apa.virginia.gov.** **Do not submit paper copies of the excel spreadsheet.**
Attachment revisions	If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log Tab in the attachment excel file.** Enter the revision date, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log. If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

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Definitions

Current Leave Liability – The portion of accrued leave liability associated with employees who terminated on or before June 24, 2005, and who will not be paid for compensated leave until after June 30, 2005.

Long-term Leave Liability – The liability for accrued annual, sick or disability credits, compensatory, overtime, on-call leave, and applicable sabbatical leave for all leave-eligible employees employed by the State on June 25, 2005.

GASBS No. 16 requirements

GASBS No. 16, *Accounting for Compensated Absences*, requires the accrual of compensated absence liability, regardless of fund type. Leave liability should include the following.

- Employer's share of Social Security and Medicare taxes on all accrued compensated absences.
- Termination payments for sick leave or disability credits for employees who are not presently vested but who will probably attain the 5 years of service required to become vested.
- Other leave earned such as sabbatical leave (if unrestricted in nature), on-call, overtime, and compensatory leave that has not been used by or paid to the employee.
- Employer contribution payments made to defined contribution or cost-sharing multiple employer defined benefit pension plans, if associated with service.

For governmental funds, only the current portion of the liability should be reported in the fund statements. The current and long-term leave liability should be reported in the government-wide statements.

Impact of Virginia Sickness and Disability Program (VSDP)

For those employees who participate in the VSDP and converted sick leave balances to Virginia Retirement System service credit, the accrual for compensated absences will no longer include an amount for sick leave.

However, for those employees who participate in the VSDP and converted sick leave balances to disability credits, the accrual for compensated absences **will include an amount for disability credits**. The calculation of this amount should result in the same amount as would have been calculated for sick leave had these employees remained in the non-VSDP sick leave program.

Leave liability database	In order to minimize the manual effort required to determine the leave liability balances, DOA has extracted leave data from the CIPPS file. This data is provided in the **Leave Liability Database** file posted on DOA's website at **www.doa.virginia.gov**. Click on the "Financial Reporting" button, then click on "Financial Statement Directives." **Note: The file will not be available on the website until mid-July 2005.**
	The **Leave Liability Database** file has been modified to combine various reporting funds (i.e., 0100 and 1100, 0200 and 2200). In addition, if any leave liability amounts were coded to capital outlay (functional code 9), these amounts have been combined with the most predominant expenditure functional code used by the agency.
Functional codes defined	Functional codes are the first number in every program code. For example, program code **1**031000 "Community Services" would fall under the "Education" function. Each functional code and its corresponding description are below.
	1-Education 3-Administration of Justice 4-Individual and Family Services 5-Resources and Economic Development 6-Transportation 7-General Government 8-Enterprise
Social Security and Medicare taxes	The CIPPS reports have been modified to include the Social Security (6.2% on a maximum salary base of $90,000) and Medicare taxes (1.45%, no salary limit) on the accrued leave.

Using the leave liability database

Consider the following items to determine whether the **Leave Liability Database** file is accurate.

1. Did the agency receive leave slips for absences on or before 6/24/05 that were not processed in CIPPS? The following exceptions **do not** require adjustments:
   - Leave slips for absences during 6/25/05 through 6/30/05
   - Late leave slips for leave taken prior to 6/25/05
2. Will the agency have payouts to terminated employees paid after 6/24/05 but prior to 7/1/05?
3. Does the agency have additional leave liability for sabbatical leave or non-VRS pension contributions not accounted for on CIPPS?

Response to the Above Questions 1-3	Action
No to all	- Review the **Leave Liability Database** for reasonableness. - Complete the attachment including the contact information, the first question, and variance explanation, if applicable
Yes to any	Perform the "Completing attachment when agency can't use the leave liability database" steps outlined on the following page.

Completing attachment when agency can't use the leave liability database

- Complete the contact information and the first question.
- Use the information computed in the following steps to complete the current and long-term leave sections.

Step	Action
1	If applicable, adjust the leave liability for absences taken on or before 6/24/05 when leave slips were received before 6/24/05 but not processed in CIPPS.
2	If applicable, adjust the leave liability for payouts to terminated employees paid after 6/24/05 and prior to 7/1/05.
3	If applicable, compute additional leave liability for sabbatical leave not accounted for on CIPPS and any non-VRS pension contributions. (Since VRS is an agent multiple-employer, defined benefit plan, no additional accrual is necessary for VRS contributions.)
4	Compute the current leave liability and adjust the long-term liability for the current portion.
5	Retain copies of all computations for review by auditors.
6	Complete the fluctuation analysis explanation if the spreadsheet indicates a fluctuation is required.

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